

COALITION FOR WIRELESS COMPETITION EX PARTE OR LATE FILED

888 17th Street, N.W. Twelfth Floor
Washington, DC 20005
202-429-8744 fax: 202-296-2962

RECEIVED

June 1, 1994

JUN 1 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M. Street N.W. Room 222
Washington, DC 20554

RE: Ex Parte Presentation
GEN 90-314 and PP 93-253
Personal Communications Service

Dear Mr. Caton:

On May 27, 1994, the attached document was sent to Chairman Reed Hundt and Commissioners Barrett, Chong, Ness and Quello.

Pursuant to section 1.1206(a)(1) of the Commission's rules, an original and a copy of this letter, along with copies of said document, are being filed with your office.

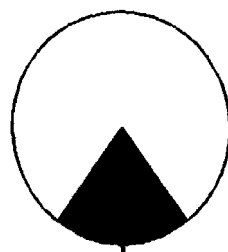
Sincerely,



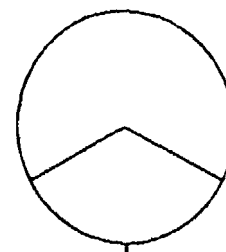
Richard D. Stamberger

PCS AUCTION REALITIES

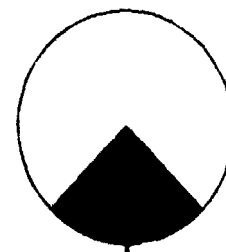
The FCC has proposed a sliding scale of bidding credits for:



MegaCorps¹
20%



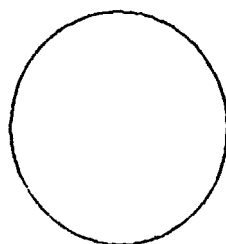
Minority/Woman Owned
35%



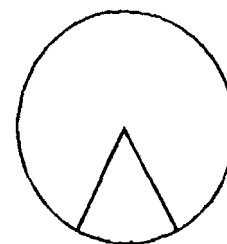
Small Owned
25%

To stay competitive, however, all MegaCorps will include at least 40% minority/woman money so they can take advantage of the bidding credits for big companies.

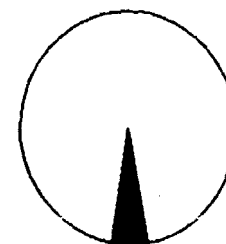
Thus, in the auctions, the relative "preferences" will really be:



MegaCorps
0%



Minority/Woman Owned
15%



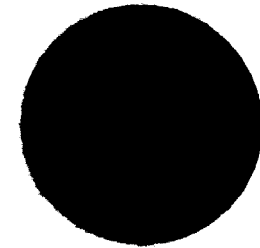
Small Owned
5%

¹ A large company with 40% of its bid invested by minorities or women.

PCS Auction Realities, Page 2

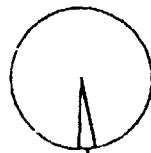
But the FCC bidding credits only apply to the auction price, a small fraction of the overall cost of owning a PCS license, about 25%.

Construction and
Operational Costs
75%

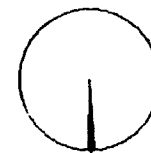


Auction Price
25%

Considering the total cost of owning a license, the bidding credits only provide minority/woman owned and small owned businesses minuscule assistance compared to a MegaCorp's bid using a preference.



Minority/Woman Owned
3.75%

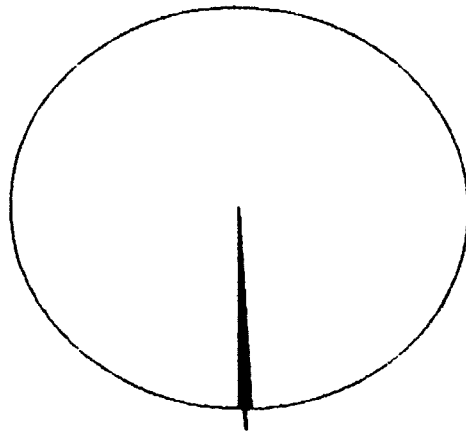


Small Owned
1.25%

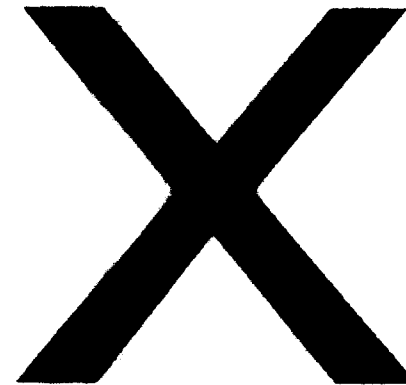
PCS Auction Realities, Page 3

What this does not include is the difference in cost of capital of large and small companies for construction and operational costs, perhaps 75% of the total cost of owning and operating a PCS license.

As MegaCorps will be able to borrow money at 8% interest whereas SMWRs will have to pay 12% (conservatively, because in fact SWMRs will have to pay an equity return to capital on top of this interest rate), what little benefit over big companies the auction preferences give small businesses or those owned by minorities and women disappear. And this does not address all the other advantages large companies have.



Minorities and Women
0.75%



Small Business
- 2.75%